

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

March 5, 2012

3:18 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Craig Johnson, Vice Chair
Representative Mike Chenault
Representative Dan Saddler
Representative Steve Thompson
Representative Lindsey Holmes
Representative Bob Miller

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 358

"An Act relating to an advertising campaign in support of opening the Arctic National Wildlife Refuge for development."

- MOVED HB 358 OUT OF COMMITTEE

HOUSE BILL NO. 266

"An Act relating to the practice of naturopathy; and providing for an effective date."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: HB 358

SHORT TITLE: ANWR ADVERTISING CONTRACT

SPONSOR(S): REPRESENTATIVE(S) PRUITT

02/22/12	(H)	READ THE FIRST TIME - REFERRALS
02/22/12	(H)	L&C, FIN
03/05/12	(H)	L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

REPRESENTATIVE LANCE PRUITT
Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Testified as sponsor of HB 358.

DIRK CRAFT, Staff
Representative Lance Pruitt
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis of HB 358, on behalf of the sponsor, Representative Lance Pruitt.

WANETTA AYERS, Director
Anchorage Office, Economic Development Section
Department of Commerce, Community & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Testified and answered questions during the discussion of HB 358.

ACTION NARRATIVE

[3:18:08 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:18 p.m. Representatives Saddler, Thompson, Miller, and Olson were present at the call to order. Representatives Holmes, Johnson, and Chenault arrived as the meeting was in progress.

HB 358-ANWR ADVERTISING CONTRACT

[3:18:24 PM](#)

CHAIR OLSON announced that the only order of business would be HOUSE BILL NO. 358, "An Act relating to an advertising campaign in support of opening the Arctic National Wildlife Refuge for development."

[3:19:30 PM](#)

REPRESENTATIVE LANCE PRUITT, Alaska State Legislature, stated that HB 358 is an advertising campaign in support of the opening the Arctic National Wildlife Refuge (ANWR). The bill would direct the state to contract with a qualified trade association to advertise and support opening the coastal plain of ANWR for oil and gas exploration and development. In 1980, the Alaska National Interest Lands Conservation Act (ANILCA) prohibited the leasing and any other development that would lead to the production of oil and gas on the ANWR. However, today the

domestic demand for oil is going up while domestic production is going down. Thus the U.S. must import more from sources outside the U.S. He related that new technology developed in Alaska has reduced the environmental impact for development on the North Slope. He remarked that if Prudhoe Bay was developed today the footprint would be as small as 1,526 acres. He applauded the ability of industry to develop the technology to this point. Additionally, oil and gas development has proven it can successfully coexist in Alaska's Arctic. The Central caribou herd has grown from 3,000-5,000 at the time of development to 66,000 now. He acknowledged that several caribou herds exist, but they have all grown since development started. While the Alaska legislature understands these impacts, people in the Lower 48 don't necessarily know these facts. He shared statistics that indicate Lower 48 residents think about 15 percent of Alaskans want ANWR to be developed even though about 78 percent of Alaskans want to see ANWR developed. He explained that many Lower 48 residents think by lobbying the Congress against ANWR development they are protecting Alaskans. Further, with respect to the environmental impact on caribou herds - about 15 percent of people believe the caribou have increased, but the rest of Lower 48 residents think caribou herds have decreased. He emphasized the importance of providing accurate information to residents in the Lower 48, which will help Alaska's Congressional delegation whose colleagues should not be misinformed by their constituents. Alaska's state revenues are dependent on resource development so it makes sense for us to promote responsible development for the maximum benefit to Alaskans.

[3:23:32 PM](#)

DIRK CRAFT, Staff, Representative Lance Pruitt, Alaska State Legislature, on behalf of the sponsor, Representative Lance Pruitt, stated that this bill is modeled after the state's tourism marketing contracts under AS 44.33.125. He referred to Section 1, subsection (a), would require the Department of Commerce, Community & Economic Development (DCCED) to contract with a single qualified trade organization for an advertising campaign advocating resource development in the 10-02 area of ANWR. The bill requires a qualified trade association to provide matching funds for the campaign and for the campaign to be approved by the department. Subsection (b) would require the contract to include essential provisions required by the department, and subsection (c) would allow additional appropriated funds to be added to contract and the department may require the association to match the additional funds.

[3:24:37 PM](#)

MR. CRAFT reported subsection (d) identifies that materials produced under a contract are the joint property of the association and the department and may only be used under the contract terms. The sponsor initially questioned the need for this section, but discovered these provisions are modeled after the ones used in tourism marketing contracts to protect their advertising strategy from detractors and other competitors, as well as protecting the company's proprietary knowledge. He related a scenario in which the company may have a marketing blueprint that works well in South Carolina or another state. This language would protect the company from competitors using their blueprint. Subsection (e) would restrict money appropriated for a contract, which may not be used to lobby a municipality or the state, to raise funds for that purpose, or be used for administrative or overhead costs which support this specific type of effort.

[3:25:44 PM](#)

MR. CRAFT referred to subsection (f), which indicates the contract is not subject to the state procurement code. Additionally, a qualified trade association who is awarded a contract may also award a subcontract on a competitive bid basis. He stated that subsection (g) defines terms used in the bill.

[3:25:55 PM](#)

REPRESENTATIVE HOLMES referred to page 2, line 15, which identifies that any materials produced are not public records. She questioned the reason for this provision. She assumed the amount of money expended in the contract would be a public record.

MR. CRAFT answered she is correct.

REPRESENTATIVE HOLMES said she needed to consider this a little more.

MR. CRAFT said this bill is modeled after state's tourism marketing statute.

[3:26:58 PM](#)

REPRESENTATIVE HOLMES asked what entity would be likely to receive the contract, noting that at times vendors are known, and while a contract is not limited to a specific vendor it is assumed certain vendors will apply. She inquired as to whether one entity is likely or if more than one entity is expected to bid on this contract.

REPRESENTATIVE PRUITT answered that there is not one particular entity anticipated to apply. He pointed out a letter of support from the Alliance in members' packets. He also suggested that the Alaska Oil and Gas Association (AOGA), and Resource Development Council for Alaska, Inc. (RDC) might also apply. He reiterated that this bill was not geared for any particular organization.

[3:28:08 PM](#)

REPRESENTATIVE HOLMES related her understanding that this bill simply sets up a mechanism. Thus it has a zero fiscal note or rather an indeterminate fiscal note. She asked about the amount of money that would likely be requested to fund this program.

REPRESENTATIVE PRUITT answered that it would depend on the trade organization. He surmised that if the Alliance were to be awarded the contract, he estimated it might be about \$500,000, but AOGA may have an opportunity for a larger amount. He said did not expect \$1 million would cover the whole nation, but the funds may help with a targeted campaign, which could be developed by working with Alaska's Congressional delegation to identify specific members who may be misinformed about ANWR.

[3:29:39 PM](#)

REPRESENTATIVE HOLMES asked how this effort would overlap with the efforts taken by Arctic Power, which the legislature funds each year. She further asked how this mandate would mesh with Arctic Power's mandate.

REPRESENTATIVE PRUITT pointed out that none of this funding could be used for lobbying the Congress; however, Arctic Power is the mechanism used to lobby members. This contract would be geared to educate the public and would communicate with constituents of members that Arctic Power will lobby.

[3:30:54 PM](#)

REPRESENTATIVE SADDLER asked him to distinguish between lobbying and educating the public.

REPRESENTATIVE PRUITT offered his belief that lobbying would be actual communicating with an elected body, whereas, the marketing and education efforts would be directed at the general public, either in a specific state or throughout the nation. He viewed the targeted group as the constituents of the Congress.

REPRESENTATIVE SADDLER agreed. He reiterated that this bill is modeled after the tourism marketing statutes. He related his understanding that the goal is to communicate a message and bridge misinformation on ANWR and clarify any concerns people may have.

[3:33:07 PM](#)

REPRESENTATIVE SADDLER questioned the three-year timeline.

REPRESENTATIVE PRUITT responded that the timeframe would give the legislature an opportunity to consider the effectiveness. He acknowledged the value of sunset legislation since it gives legislature an opportunity review and determine whether the contract or program is necessary and delete the statutes if the program is not being used.

[3:33:48 PM](#)

REPRESENTATIVE SADDLER asked for clarification on the scope of the advertising campaign and if the advertising would include radio or television advertising.

REPRESENTATIVE PRUITT answered that DCCED would authorize the contract and their experts will decide the best communication methods to use.

[3:34:23 PM](#)

REPRESENTATIVE MILLER recalled some high level advertising campaigns previously aired. He wondered if the participants could be kept local, and whether some preference for an Alaska advertising company or public relations firm could be included in the bid criteria. He has often heard critiques of advertising using Hollywood actors or photographs that depict Alaska, but the ads were actually filmed in Canada. He said he favored Alaskans telling and showing Alaska's story.

MR. CRAFT answered that the language is modeled after the tourism marketing industry, which uses actors, but the advertising is filmed in Alaska.

CHAIR OLSON referred to Wanetta Ayers to discuss local hire and bidder preference provisions.

[3:36:29 PM](#)

REPRESENTATIVE MILLER further asked whether the approval or recommendations for brainstorming would reside in the DCCED.

MR. CRAFT answered yes.

[3:36:50 PM](#)

REPRESENTATIVE HOLMES related her understanding that this contract is exempt from procurement code so she was uncertain whether an Alaska bidder's preference would apply.

REPRESENTATIVE PRUITT deferred to the DCCED.

[3:37:25 PM](#)

REPRESENTATIVE CHENAULT referred to page 2, line, 7, and related that the DCCED may require the association to provide matching funds in any amount for additional funds. He asked for clarification on the source of any additional funds.

MR. CRAFT answered that this specific language gives the department the ability to require additional participation from the qualified trade association if the legislature were to appropriate additional funds.

REPRESENTATIVE CHENAULT related his understanding that the qualified trade association may or may not have to match any additional funds appropriated after initial funds were awarded.

MR. CRAFT said that is correct.

[3:38:39 PM](#)

REPRESENTATIVE CHENAULT emphasized that this bill is needed. He recently spent three days talking to approximately 25 different Congressional offices. He said while this program would not be used to directly lobby the Congress he discovered that people do not have the facts about ANWR, which was evident from a member's

tone or the tone of his/her staff. He pointed out that ANWR has not been an issue in the past seven or eight years in the Congress. He further said that most did not know much about ANWR, its location or what it encompasses, and many erroneously believed most Alaskans did not support oil and gas develop in ANWR. He cautioned members that a group opposing ANWR is a vocal group.

[3:39:56 PM](#)

CHAIR OLSON remarked that the most compelling testimony he has ever heard was testimony given by Congressman Don Young. He related that Congressman Yong held up a piece of white paper and said, "This is ANWR in winter." He went on to inform people that ANWR does not have mountains or valleys, but is flat and white.

[3:40:20 PM](#)

REPRESENTATIVE CHENAULT pointed out that advertising campaigns are effective, depending on the campaign and the audience. He remarked that the legislature cares about the facts.

[3:40:40 PM](#)

REPRESENTATIVE SADDLER referred to page 2, line 28, and asked whether the amount of money that can be contracted out is limited. He further asked whether it is possible for the qualified trade association to pass-through funds to advertising companies. He suggested a number of advertising companies would likely be interested in this opportunity.

REPRESENTATIVE PRUITT deferred to the DCCED to better respond.

[3:41:19 PM](#)

REPRESENTATIVE SADDLER asked whether the bill requires the advertising efforts be coordinated with those undertaken by Arctic Power.

REPRESENTATIVE PRUITT answered that HB 358 does not specifically address those aspects, but he anticipated a qualified trade association would use Arctic Power's lobbyist to understand the audience that should be targeted; however, this requirement is not in the proposed bill.

[3:42:14 PM](#)

REPRESENTATIVE SADDLER asked whether the bill has any benchmarks to determine the program's success.

REPRESENTATIVE PRUITT answered ultimately once an ice road is built the efforts would be deemed successful.

[3:42:58 PM](#)

REPRESENTATIVE SADDLER said he likes the idea of this bill. He agreed the truth and facts should be disseminated to the public and should trump innuendos.

REPRESENTATIVE THOMPSON agreed with Representative Saddler's remarks. He said that the state has viewed substantial anti-ANWR advertising and it is time for people to get the truth about ANWR.

REPRESENTATIVE MILLER said we need to move the Arctic plain, not mountains. He said he was glad that Representative Pruitt has brought this bill forward.

REPRESENTATIVE CHENAULT said, "We do need to move mountains, back to where they were originally at in the film and not closer to the 10-02. We need to move them back to where they were originally [located]."

[3:44:24 PM](#)

WANETTA AYERS, Director, Anchorage Office, Economic Development Section, Department of Commerce, Community & Economic Development (DCCED) introduced herself.

[3:44:51 PM](#)

REPRESENTATIVE HOLMES questioned whether Alaskans would be entitled to any bidder preferences. She further asked for recommendations on language to add to the bill.

[3:45:13 PM](#)

MS. AYERS related that the DCCED has previously been quite successful in placing work with Alaskan firms under the qualified trade association (QTA) model. She offered her belief that the DCCED follows the procurement code. She acknowledged while she is not an expert she has been through the process a number of times. She reported that the DCCED must consider all

offers. She recalled previously when the department has used the procurement code and was able to extend an Alaska bidder preference, particularly with respect to cost, that the preference has helped Alaskan firms secure those contracts.

3:45:58 PM

REPRESENTATIVE HOLMES pointed out that this contract would be exempt from the procurement code. She asked whether the department has any flexibility to provide a preference given the language in the bill.

MS. AYERS answered that she does not have any experience letting a contract outside the procurement code. She offered to check with procurement officers and report back to the committee.

3:46:35 PM

REPRESENTATIVE SADDLER asked for an estimate of costs for a successful campaign of this type.

MS. AYERS offered that the scope of the public advocacy advertising in targeted Congressional districts is akin to effort taken on other public relations campaigns to deliver targeted media messages about commercial development. She did not recall any specific figures, but offered that the tourism marketing programs have ranged from \$11 million to \$21 million over the past 12-15 years. She said that obviously, the nature of this campaign is somewhat more focused, so she imagined the cost would be significantly less than that range. Additionally, she agreed with Representative Pruitt that some of this will be contingent on the capacity of the QTA to generate matching dollars. She imagined the fiscal note would appropriate up to a certain amount, which would be dependent on the matching funds. She recalled that the match was sometimes difficult to meet. In those instances the match was later adjusted for the QTA model in the tourism industry. She offered that 50 percent match was problematic for the tourism industry and had to be reduced over time in order to make it more attainable.

3:49:24 PM

REPRESENTATIVE SADDLER recalled his earlier question on provisions for the QTA to subcontract out the advertising. He inquired as to whether the contractor could pass through funds and if it would be advisable to do so.

MS. AYERS answered that typically there is some administrative set aside or consideration for the QTA. She viewed that some of these details could be made part of bid solicitation. She surmised it is highly likely that the QTA will be most interested in directing as much funding as possible to the advertising campaign. She stated it is difficult to predict without knowing the organization, but it does seem that given the scope of the project most of the funds would be passed through to a subcontractor advertising firm to maximize the advocacy effort.

[3:50:57 PM](#)

REPRESENTATIVE SADDLER remarked if Alaskan subcontractors are used that it would be nice if they would lower their markup in the interests of helping Alaska's economy. He suggested they may wish to limit their markup from 15-17 percent, or perhaps even lower.

MS. AYERS said she thought that would be highly unlikely. Further, she said she would not dictate any business model or cost to the private sector.

[3:51:51 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 358. He commented that no one contacted his office.

[3:52:19 PM](#)

REPRESENTATIVE JOHNSON moved to report HB 358 out of committee with individual recommendations and the accompanying indeterminate fiscal note. There being no objection, HB 358 was reported from the House Labor and Commerce Standing Committee.

[3:52:43 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:52 p.m.